

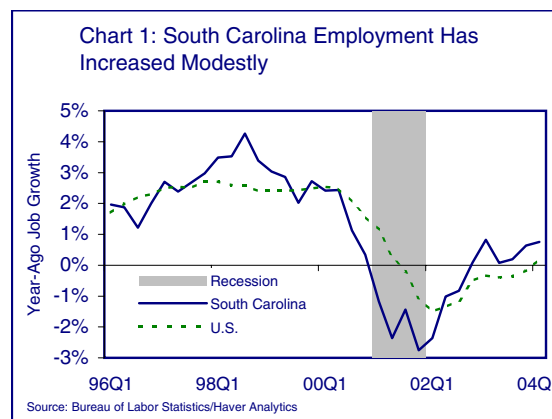
FDIC State Profile

Summer 2004

South Carolina

Modest employment growth in South Carolina continues.

- South Carolina continued to post modest job growth in early 2004 (See Chart 1). Over the past year ending first quarter 2004, the state's economy has seen a net increase of 13,200 jobs—most of which were in the health & education and leisure & hospitality sectors of the economy. Labor market conditions, however, may underscore the fragility of the state's budding economic recovery. Unemployment rates remain near their recessionary highs and, on a monthly, seasonally-adjusted basis, have increased during the early months of 2004.
- Although job growth statewide has been positive, economic conditions vary widely. Payrolls continue to contract in the larger metropolitan areas of Charleston, Columbia, and Greenville. In fact, during first quarter 2004, employment in Columbia was down 3.7 percent from a year earlier—the worst performing MSA in the nation. Labor market conditions in many rural counties, likewise, have continued to deteriorate over the past year (See Map 1).
- The South Carolina economy will continue to be affected through the remainder of the year due the impending layoffs of several hundred Blue Cross employees. Previously, the company had been a source of growth for the state. The job cuts will occur primarily in the Columbia and Florence metropolitan areas.
- South Carolina homebuilding and existing home sales have remained at historic levels, despite only modest economic growth. Home values, likewise, continue to rise but at a declining rate and significantly below the national pace (See Chart 2). Borrowers, however, may be under stress as foreclosures have reached record levels. Rising long-term interest rates may cool growth in the state's housing market as well as aggravate borrowers' ability to meet existing debt service obligations.
- The rise in South Carolina payrolls during 2003 helped boost state tax collections. However, revenues remained significantly below their pre-recession peak, and faster growth in 2004 may be constrained unless the economy gains momentum.



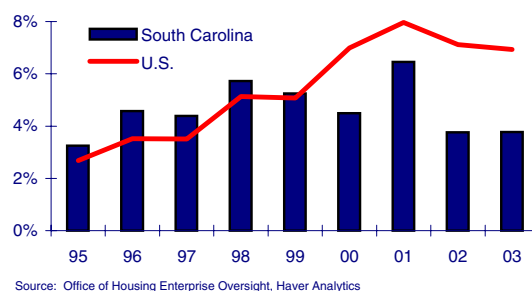
Map 1: South Carolina Continued to Post Modest Job Growth in Early 2004

Jobless rates
2004Q1, not seasonally
adjusted



Note: Blue outlined counties are
metropolitan areas (1999 definitions)
Source: Bureau of Labor Statistics / Economy.com

Chart 2: South Carolina Home Values Have Increased, But at a Declining Rate

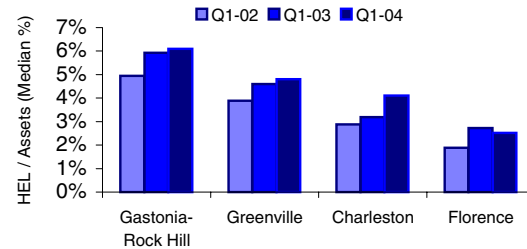


State Profile

Banks in South Carolina continue to report solid performance.

- Net income at South Carolina community banks reached a record high \$31 million for the first quarter 2004. Nevertheless, both the median return-on-assets and net interest margin ratios experienced declines, but remained mostly in line with the national medians at approximately 1 and 4.1 percent, respectively. Lower provision and overhead expenses combined with mostly stable noninterest revenues were not enough to offset the decline in both interest and noninterest income during the 12-month period ending March 31, 2004.
- Loan growth at South Carolina commercial banks continued at a solid pace. The loan portfolio increase was driven higher primarily by commercial real estate loans and to a lesser extent by home equity lines (See Chart 3).¹ However, some minor signs of weakness have started to develop in the nonresidential and multifamily segments as noncurrent loan levels moved higher
- Larger institutions in the state continued to add to their commercial and industrial loan (C&I) portfolio at the end of first quarter 2004.² As a percentage of assets, aggregate C&I loans at these banks grew 80 basis points to 11.5 percent at March 31, 2004, up from 10.7 percent a year earlier. Given the extent of interstate operations at these larger institutions, growth in this loan segment may be taking place outside the state. Meanwhile C&I loan growth at banks with a more local presence, primarily the community institutions, continued to suffer.
- Trends in construction and development (C&D) lending are varied in the State's major metro markets. Rapid growth continued during the quarter at banks in the Florence MSA, as the median C&D loan to asset ratio of 4.32 percent is 319 basis points higher than a year earlier. The median exposure level of 8.26 percent of assets at banks in the Greenville-Spartanburg MSA is above the national urban level, but only modest growth has occurred during the year.
- Capital levels remained in good shape to handle unexpected increase in delinquency levels and chargeoff rates. Median Tier 1 capital was strong at 9.6 percent and above the national median of 9.3 percent. Despite falling for a fifth consecutive period, median reserve coverage of noncurrent loans remained healthy at 2.3 times and comfortably above the national median of 1.9 times.

Chart 3: Home Equity Lending Continued to Increase in Several MSAs



Source: Bank Call Reports, March 31st.

¹Commercial real estate loans consist of nonresidential, construction and development, and multifamily loans.

²Larger institutions have assets greater than \$1 billion.

South Carolina at a Glance

General Information	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Institutions (#)	96	102	103	104	110
Total Assets (in thousands)	41,494,837	38,196,932	34,000,430	32,635,345	30,879,782
New Institutions (# < 3 years)	4	6	12	17	17
New Institutions (# < 9 years)	29	30	30	28	29
Capital	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Tier 1 Leverage (median)	9.50	9.70	9.88	10.40	10.50
Asset Quality	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Past-Due and Nonaccrual (median %)	1.58%	1.87%	1.69%	1.79%	1.33%
Past-Due and Nonaccrual >= 5%	15	16	8	9	5
ALLL/Total Loans (median %)	1.25%	1.24%	1.19%	1.21%	1.14%
ALLL/Noncurrent Loans (median multiple)	2.20	2.02	2.02	2.12	2.49
Net Loan Losses/Loans (aggregate)	0.23%	0.34%	0.21%	0.16%	0.11%
Earnings	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Unprofitable Institutions (#)	3	4	4	10	11
Percent Unprofitable	3.13%	3.92%	3.88%	9.62%	10.00%
Return on Assets (median %)	0.96	1.06	0.97	0.93	1.03
25th Percentile	0.71	0.71	0.76	0.55	0.59
Net Interest Margin (median %)	3.96%	4.08%	4.26%	4.05%	4.47%
Yield on Earning Assets (median)	5.35%	5.97%	6.73%	8.26%	8.10%
Cost of Funding Earning Assets (median)	1.43%	1.80%	2.44%	4.38%	3.85%
Provisions to Avg. Assets (median)	0.16%	0.22%	0.22%	0.15%	0.18%
Noninterest Income to Avg. Assets (median)	0.78%	0.88%	0.79%	0.72%	0.67%
Overhead to Avg. Assets (median)	3.02%	3.03%	2.99%	2.94%	2.95%
Liquidity/Sensitivity	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Loans to Deposits (median %)	85.15%	80.97%	84.37%	84.26%	84.04%
Loans to Assets (median %)	68.46%	67.38%	68.30%	69.11%	69.01%
Brokered Deposits (# of Institutions)	22	19	17	13	11
Bro. Deps./Assets (median for above inst.)	4.26%	3.50%	5.73%	2.33%	2.44%
Noncore Funding to Assets (median)	23.21%	23.06%	21.90%	21.63%	19.93%
Core Funding to Assets (median)	65.06%	65.70%	66.75%	65.74%	66.98%
Bank Class	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
State Nonmember	46	48	49	48	49
National	25	26	25	24	23
State Member	3	3	3	3	7
S&L	10	10	11	12	13
Savings Bank	11	14	14	17	18
Stock and Mutual SB	1	1	1	0	0
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	48	8,646,093	50.00%	20.84%	
Greenville-Spartanburg-Anderson SC	21	17,943,124	21.88%	43.24%	
Charleston-North Charleston SC	6	3,211,335	6.25%	7.74%	
Myrtle Beach SC	5	2,496,418	5.21%	6.02%	
Florence SC	5	511,233	5.21%	1.23%	
Columbia SC	4	4,556,863	4.17%	10.98%	
Charlotte-Gastonia-Rock Hill NC-SC	3	361,320	3.13%	0.87%	
Sumter SC	2	3,122,228	2.08%	7.52%	
Augusta-Aiken GA-SC	2	646,223	2.08%	1.56%	